D.T.E. 00-81

Petition of Blackstone Gas Company, pursuant to G.L. c. 164, § 69I, for approval by the Department of Telecommunications and Energy of its Long-Range Forecast and Supply Plan for the period 2000 through 2005.

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FOR: BLACKSTONE GAS COMPANY

Petitioner

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I. INTRODUCTION AND PROCEDURAL HISTORY

On October 25, 2000, pursuant to G.L. c. 164, § 69I, Blackstone Gas Company ("Blackstone or "Company") filed with the Department of Telecommunications and Energy ("Department") a petition for approval of its long-range forecast and resource plan for the period of November 1, 2000, through October 31, 2005. The petition was docketed as D.T.E. 00-81. Blackstone is a local distribution company ("LDC") serving approximately 1000 residential, commercial and industrial customers in Massachusetts.

Pursuant to notice duly issued, the Department conducted a public hearing and an evidentiary hearing at the Department's offices in Boston on December 7, 2000. There were no petitions to intervene in these proceedings. Blackstone presented one witness in support of its forecast and supply plan: Lee Smith, managing consultant and senior economist at La Capra Associates.[(1)] The evidentiary record consists of the Company's proposed forecast and supply plan, regression data, as well as the Company's responses to the Department's information and record requests.

II. ANALYSIS OF THE LONG-RANGE FORECAST

A. Standard of Review

Pursuant to G.L. c. 164, § 69I, the Department is required to ensure "a necessary energy supply for the Commonwealth with a minimum impact on the environment at the lowest possible cost." In accordance with this mandate, the Department reviews the long-range forecast of each gas utility to ensure that the forecast accurately projects the gas sendout requirements of the utility's market area. G.L. c. 164, § 69I. A forecast must reflect accurate and complete historical data, and reasonable statistical projection methods. G.L. c. 164, § 69I; 980 C.M.R. § 7.02(9)(b). Such a forecast should provide a sound basis for resource planning decisions. Colonial Gas Company, D.P.U. 96-18, at 4 (1996); Bay State Gas Company, D.P.U. 93-129, at 5 (1996); Holyoke Gas and Electric Department, D.P.U. 93-191, at 2 (1996); Berkshire Gas Company, 16 DOMSC 53, 56 (1987) ("1987 Berkshire Gas Decision").

In its review of a forecast, the Department determines if a projection method is reasonable based on whether the methodology is: (a) reviewable, that is, contains enough information to allow a full understanding of the forecast methodology; (b) appropriate, that is, technically suitable to the size and nature of the particular gas company; and (c) reliable, that is, provides a measure of confidence that the gas company's assumptions, judgments, and data will forecast what is most likely to occur. Colonial Gas Company, D.P.U. 96-18, at 5; Bay State Gas Company, D.P.U. 93-129, at 5; Holyoke Gas and Electric Department, D.P.U. 93-191, at 2; Haverhill Gas Company, 8 DOMSC 48, 50-51 (1982). Specifically, the Department examines a gas company's: (1) planning standards, including its weather data; (2) forecast method, including the forecast results; and (3)

derivation and results of its design and normal sendout forecasts. See Colonial Gas Company, D.P.U. 96-18, at 5; Bay State Gas Company, D.P.U. 93-129, at 5-6; Colonial Gas Company, D.P.U. 93-13, at 6; see also Boston Gas Company, D.P.U. 94-109 (Phase 1), at 9 (1996). As part of the review of the forecast, the Department also examines the company's scenario analysis, which is used for evaluating the flexibility of the company's planning process, including any cold-snap analysis[(2)] and sensitivity analysis. 1992 Boston Gas Decision at 200; see Bay State Gas Company, D.P.U. 93-129, at 23-25 and Boston Gas Company, D.P.U. 94-109 (Phase 1), at 61-66.

B. Previous Sendout Forecast Review

Blackstone's previous Forecast and Supply Plan, Blackstone Gas Company EFSC 85-42, was filed on January 10, 1986. In its decision, the Department unconditionally approved the Company's long-range forecast.

C. Planning Standards

The Department assesses an LDC's planning standards in order to determine if they are reviewable, appropriate and reliable. D.P.U. 96-18, at 5; D.P.U. 93-129, at 5; D.P.U. 93-191, at 2. A company's planning standards are used as a basis for projecting its sendout forecast which is then used for ascertaining the adequacy and cost of the company's supply plan.

To ascertain the adequacy of a company's forecast, the Department initially conducts a review of the company's weather data. Then, the Department focuses on the planning standards themselves, i.e., how the company arrived at its (1) normal year, (2) design year, and (3) design day standards.

1. Weather Data

a. Description

The Company stated that it purchased its weather data from the Northeast Regional Climate Center ("NRCC") as measured at the West Medway, MA. weather station (Exh. D.T.E. 1-1). The Company explained that it has access to NRCC-generated weather data from 1970-1999 (RR-D.T.E.-2). The Company indicated that it examined data from both a ten-year and 20-year perspective **(**Tr. at 16**)**. The Company asserted that the comparison of the 20-year weather database and the ten-year database did not reveal any differences in weather patterns (id.). Blackstone decided to base its analysis on a ten-year period of weather data because of this similarity in the weather patterns (id.).

b. Analysis and Findings

The Department finds that Blackstone's decision to limit their review of weather data to the past ten years is minimally acceptable. In making its decision, the Department notes (a) that the Company had access to weather data dating back to 1970, (b) the inherent limitations of any statistical analysis and conclusions drawn from only ten years worth of data and (c) most companies use either a 20-year or 30-year standard when reviewing weather data. See Fitchburg Gas Company, DTE 00-42 at 6, Berkshire Gas Company, DTE 98-99 at 6. The Department finds the weather database used by the Company in this filing to be acceptable, but directs the Company in its next filing to increase the scope of its examination of its weather database to include at least 20 years.

2. Design Day Standard

a. Description

Blackstone used a design day standard of 66 heating degree days to develop its sendout forecast (Exh. Blackstone 1). In order to develop design day conditions, Blackstone projected peak day characteristics based on actual peak data from 1999. The actual coldest day used was 52 heating degree days (id.). The projected peak for 2000-2001 is set at 66 degree days, the coldest day experienced in ten years (Exh. Blackstone 1; Exh. DTE 1-4). Blackstone supported its decision to employ a 66 heating degree day standard by comparing this standard to those of other LDCs in the area (Tr. at 15-16). Upon adjusting for the slightly colder temperatures experienced in the Company's service area, Blackstone discovered that its design degree day was actually equal to or higher than some of its neighboring LDCs (Tr. at 15-16).

b. Analysis and Findings

Although Blackstone noted that its 66 heating degree day standard was based on both the Company's coldest day experienced in 1999 and neighboring LDCs design day standards, the Company did not provide a quantitative justification for its method. A comparison and alignment of the Company's standards to those of other LDCs running more sophisticated modeling is certainly useful, but ultimately does not replace independent analysis. Blackstone failed to develop its design day calculation with a reasonable statistical analysis of the recurrence probability. In addition, the Company did not perform an optimization analysis containing a cost-benefit summary. The Department notes, however, that it has previously approved forecast and supply filings that included similar heating degree day standards.[(3)] Therefore, the Department finds Blackstone's design day standard to be reviewable, but only minimally reliable and appropriate.[(4),(5)]

3. Normal Year and Design Year Standard

The Company provided neither a Normal Year nor a Design Year Standard within the filing.

4. Conclusions on Planning Standards

The Department reviews design criteria to ensure that there is a reasonable relationship between forecasted and actual conditions. See Gas Generic Order, 14 DOMSC 95, at 97 (1986). Specifically, the Department evaluates how and why a company selects particular design weather criteria, paying particular attention to the frequency with which design conditions are expected to occur, the effect of the design standard on the reliability of a company's forecast, and the cost of its supply plan (id. at 96-97, 104-105).

The Department has found that the Company presented its design day standard without providing the required analysis. The Company did not employ an optimization or probabilistic analysis for developing its design day and overall standards. Blackstone's failure to submit normal and design year standards is particularly troubling.

However, the Department is aware of Blackstone's unique characteristics which require special consideration while reviewing its filings, namely its small size, limited resources, relatively static customer demand, and low number of customers. In light of these factors, the Department finds that the planning standards are minimally reviewable, appropriate and reliable. The Department directs the Company to include a more rigorous analysis of its standards in its next forecast and supply plan filing.

D. Forecasting Methods

1. Residential, Commercial & School Forecast

a. Description

Blackstone developed its sales forecast at the customer rate class level. The Company's customers consist of residential heating, residential non-heating, commercial and school customer classes (Exh. Blackstone 1). The sales forecast is developed by projecting growth in number of customers, per rate class, using a least squares regression method. The regression that was ultimately chosen uses a simple linear trend to project customer growth. Regression equations were developed for the residential heat and commercial classes since historical data showed no growth in the number of customers for the residential non-heating class and the sole school class customer is projected to remain on the system (id.).

The forecasted number of customers multiplied by the average use per customer yields the Company's forecast of demand. The actual year end 1999 number of customers and actual 1999 sales (normalized for weather effects) serve as the basis for the use per

customer calculation (id.). Projections for the constant use per customer factor for both residential heating and commercial customers were based on historical data. The commercial customers' use per customer is projected to increase at 1.34 percent (id.). The use per customer for the school rate was also kept constant over the forecast period as there are no projected additions to the facility or equipment. The normal sales are then projected by multiplying the projected number of customers by the normal use per customer (id.).

b. Analysis and Findings

The Company's development of individual sendout forecasts for each customer class is consistent with the approaches taken by other Massachusetts LDCs. Therefore, the Department finds Blackstone's forecast of sendout to be reviewable, appropriate and reliable.

2. Transportation Forecasts

a. Description

The Company did not develop a forecast of sales customers migrating to transportation services or new transportation customers over the forecast period.

b. Analysis and Findings

In Boston Gas Company, D.P.U. 92-259, at 10 (1993), in an effort to open Massachusetts gas markets to competition, the Department ordered the Massachusetts LDCs to offer a full menu of services that reflect the restructuring of the natural gas industry under FERC Order 636. Natural Gas Terms and Conditions, D.T.E. 98-32-A at 18. This order would allow gas consumers to reap the benefits of increased competition in the natural gas marketplace. The Department, therefore, directs Blackstone, in its next filing, to provide a forecast of customers migrating from sales service to transportation service.

3. Design Day Sendout Forecast

a. Description

The Company assumed that the relationship between peak day sendout and average annual sendout remained the same because historical data on peak day sendout was unavailable due to lack of data (Tr. at 18-19). Based on this assumption, the Company then applied the weather normalized historic average annual sendout growth rate as it projected the design day sendout. The Company assumed that the peak day sendout will increase at the same rate as the weather normalized historic average annual sendout. Consequently, the Company's peak design day sendout increases by approximately 3.4

percent per year from years 2000 to 2005. This amounts to an increase from 1,042 dekatherms ("Dth") in year 2000 to 1,238 Dth in year 2005 (Exh. Blackstone 1, Table G-23).

b. Analysis and Findings

The Department notes that the absence of data inherently introduces uncertainty into the assumptions that can be applied and conclusions that can be drawn. By not providing a standard or any supporting data and rationale to justify the Company's assumptions, Blackstone has undermined the effectiveness and accuracy of its forecast. Accordingly, the Department finds the design day sendout forecast by Blackstone is reviewable, but only minimally appropriate and reliable. Again, Blackstone is directed to provide this data in its next filing.

4. Normal and Design Year Sendout Forecast

a. Description

The Company prepared separate normal year sendout forecasts for residential heating, residential non-heating, commercial and school classes for the planning period. Normal year sendout forecast increases annually by approximately 2.6 percent (see Exh. Blackstone 1, Table G-5). Over the course of the five-year forecast period, total normal sendout rises by 13.6 percent from 113,921 thousand cubic feet ("MCF") in 2000 to 129,427 MCF in 2005 (id.).

Similar to the construction of the design day sendout, Blackstone's design year sendout forecast is also based on the weather normalized historic average annual sendout and yields a 3.5 percent annual increase during the planning period (see Exh. Blackstone 1, Table G-5). Over the course of the five-year forecast period, total design sendout increases by 18.8 percent from 123,523 MCF in 2000 to 146,746 MCF in 2005 (id.). Unlike the normal year sendout forecast, Blackstone forecasted total design year sendout without distinction between customer classes (id.).

b. Analysis and Findings

The Department finds that the normal year sendout forecast submitted by Blackstone is reviewable, appropriate, and reliable. The Department notes that the Company did not distinguish between customer classes in the design year sendout and made assumptions without providing support data concerning the design year annual growth rate that were similar to those of the design day sendout forecast. The Department, therefore, finds the design year sendout forecast reviewable, but only minimally appropriate and reliable.

5. Conclusions on the Sendout Forecast

The Department has found the planning standards by Blackstone to be reviewable, appropriate, and reliable, given the size and nature of the Company. The Department has

also found that the normal year sendout forecast is reviewable, appropriate and reliable. Further, the Department has found that the design day and design year sendout forecasts are reviewable, but only minimally appropriate and reliable. Therefore, the Department finds the 2001-2005 Blackstone sendout forecast reviewable, but only minimally appropriate and reliable.

III. ANALYSIS OF THE SUPPLY PLAN

A. Standard of Review

The Department is required to ensure "a necessary energy supply for the Commonwealth with a minimum impact on the environment at the lowest possible cost." G.L. c. 164, § 69I. In fulfilling this mandate, the Department reviews a gas company's supply planning process and the two major aspects of every utility's supply plan -- adequacy and cost.[(6)] Commonwealth Gas Company, D.P.U. 92-159, at 53; Colonial Gas Company, D.P.U. 93-13, at 49-50; 1992 Boston Gas Decision, 25 DOMSC at 201.

The Department reviews a gas company's five-year supply plan to determine whether the plan is adequate to meet projected normal year, design year, design day, and cold-snap firm sendout requirements (see Section III. D., below).[(7)] In order to establish adequacy, a gas company must demonstrate that it has an identified set of resources which meet its projected sendout under a reasonable range of contingencies. If a company cannot establish that it has an identified set of resources which meet sendout requirements under a reasonable set of contingencies, the company must then demonstrate that it has an action plan which meets projected sendout in the event that the identified resources will not be available when expected. Colonial Gas Company, D.P.U. 96-18, at 31; Commonwealth Gas Company, D.P.U. 92-159, at 54; Colonial Gas Company, D.P.U. 93-13, at 50.

In its review of a gas company's supply plan, the Department reviews a company's overall supply planning process (see Section III. E., below). An appropriate supply planning process is essential to the development of an adequate, low-cost, and a low environmental impact resource plan. Pursuant to this standard, a gas company must establish that its supply planning process enables it to (1) identify and evaluate a full range of supply options, and (2) compare all options -- including conservation and load management ("C&LM") -- on an equal footing. Colonial Gas Company, D.P.U. 96-18, at 31; Commonwealth Gas Company, D.P.U. 92-159, at 54; Colonial Gas Company, D.P.U. 93-13, at 51; 1992 Boston Gas Decision, 25 DOMSC at 202.[(8)]

Finally, the Department reviews whether a gas company's five year supply plan minimizes cost (see Section III. E., below). A least-cost supply plan is one that minimizes costs subject to trade-offs with adequacy and environmental impact. Commonwealth Gas Company, D.P.U. 92-159, at 55; Colonial Gas Company, D.P.U. 93-13, at 51-52; 1992 Boston Gas Decision, 25 DOMSC at 203. A gas company must establish that application of its supply planning process has resulted in the addition of resource options that contribute to a least-cost plan.

B. Previous Supply Plan Review

Blackstone's previous Forecast and Supply plan, Blackstone Gas Company, EFSC 85-42, was filed on January 10, 1986. The Siting Council found that Blackstone's resources were more than adequate to satisfy its requirements in both normal and design years as well as under cold snap conditions. Blackstone Gas Company, EFSC 85-42 at 5.

C. Base Case Supply Plan Resources

In this section, the Department reviews the Company's supply plan and identifies elements which represent potential contingencies affecting the adequacy of supply or which potentially impact the cost of the supply plan. The Department reviews the adequacy of the Company's supply plan, the Company's supply planning process, and the cost of the Company's supply plan.

1. Gas Suppliers

The Company indicated that it has a single contract for firm gas supplies (Exh. Blackstone 1). Blackstone receives its supply under a five-year contract with Duke Energy Marketing that commenced on November 1, 2000 and expires on October 31, 2005.[(9)] The contract provides for both base load and peaking supplies to meet Blackstone's needs. Blackstone has rights to 518 Dth of firm gas per day year round and an additional 500 Dth of firm gas per day for the winter season. Under the terms of the contract, Blackstone is able to increase its daily peaking quantity up to 1000 Dth. This contract will continue in effect unless terminated by either party upon giving six months' written notice to the other party (Exh. Blackstone 2).

2. Storage Facilities and Services

The Company has firm storage rights with Tennessee Gas Pipeline ("Tennessee Gas") for underground storage with a maximum storage quantity equal to 16,650 Dths and a maximum withdrawal quantity equal to 111 Dths per day (id.).

3. Local Production

Blackstone has no local production capabilities.

4. Demand Side Management

According to the Company, an active pursuit of demand side management ("DSM") opportunities are not justifiable given the Company's size (Tr. at 37). The Company indicated that short of adding Blackstone's territory to neighboring LDC's existing DSM service plans, the administrative costs of any DSM program would prove overwhelming

to the Company because of Blackstone's size and would dwarf any potential savings (id.). The Department notes that Blackstone's size may, in fact, limit its opportunities to participate in DSM programs. However, the Department strongly encourages the Company to continue exploring DSM related opportunities.

5. Comparison of Current Resources and Projected Requirements

The Company's filing indicates that contracted resources currently exceed the anticipated requirements of the forecast period. Exh. Blackstone 1; Exh. Blackstone 2. Accordingly, the Department finds that Blackstone has identified set of resources which meet its projected sendout figures.

D. Adequacy of the Supply Plan

In reviewing the adequacy of a gas company's five-year supply plan, the Department examines whether the company's base-case resource plan is adequate to meet its projected normal year, design year, design day firm sendout requirements. The Department then examines whether the company's plan is adequate to meet its sendout requirements if certain supplies become unavailable. D.P.U. 93-13, at 62; 1992 Boston Gas Decision at 212-213; 1987 Berkshire Decision at 76. If the supply plan is not adequate under the base-case resource plan nor the contingency of existing or new supplies becoming available, then the company must establish that it has an action plan which will ensure that supplies will be obtained to meet its projected firm sendout requirements. See Colonial Gas Company, D.P.U. 93-13, at 62; 1992 Boston Gas Decision at 212-213; 1987 Berkshire Decision at 76.

1. Design Day Adequacy

a. Description

Blackstone plans to meet its design day needs through a combination of (1) firm gas supplies from Duke Energy Trading and Marketing transported via the Tennessee Gas Pipeline system, and (2) supplies from storage (Exh. DTE 1-2). Blackstone's forecasted peak day sendout requirements are projected to increase from 874 MCF in the 1999-2000 heating season to 1207 MCF in the 2005-2006 heating season (Exh. Blackstone 1).

b. Analysis and Findings

Given Blackstone's winter season entitlement of up to 1018 Dth of firm gas and its ability to increase its daily peaking quantity up to 1518 Dth, the Company's supplies exceed the forecasted requirements. Accordingly, the Department finds that Blackstone has established that its design day supply plan is adequate to meet the Company's forecasted sendout requirements throughout the forecast period.

2. Normal and Design Year Adequacy

a. Description

Blackstone plans to meet its normal and design heating season needs through the use of the gas supplier, storage rights, and interstate pipeline transportation services indicated in Exh. DTE 1-2. Over the forecast period for the year 2000 to 2001, Blackstone has an annual resource supply of 274,570 MCF per year and a maximum projected requirement of 129,427 MCF.[(10)] Id.

b. Analysis and Findings

The Department finds that the Company has established that it has adequate supplies to meet its normal year and design year forecasted sendout requirements throughout the forecast period.

3. Conclusions on the Adequacy of the Supply Plan

Blackstone has shown that its normal and design year and design day supply plans are adequate to meet the Company's firm sendout requirements throughout the forecast period. Accordingly, the Department finds that Blackstone has established that it has adequate resources to meet its firm sendout requirements throughout the forecast period.

E. Supply Planning Process

1. Standard of Review

The Department has determined that a supply planning process is critical in enabling a utility company to formulate a resource plan that achieves an adequate, least-cost and low environmental impact supply for its customers. Berkshire Gas Company, D.P.U. 94-14, at 36 (1994); Colonial Gas Company, D.P.U. 93-13, at 70; 1992 Boston Gas Decision at 223; Boston Gas Company, 19 DOMSC 332, 388 (1990) ("1990 Boston Gas Decision"). The Department has noted that an appropriate supply planning process provides a gas company with an organized method of analyzing options, making decisions, and re-evaluating decisions in light of changed circumstances. Berkshire Gas Company, D.P.U. 94-14, at 36; Colonial Gas Company, D.P.U. 93-13, at 70; 1992 Boston Gas Decision at 223; 1990 Boston Gas Decision at 388. For the Department to determine that a gas company's supply planning process is appropriate, the process must be fully documented. Colonial Gas Company, D.P.U. 93-13, at 70; 1992 Boston Gas Decision at 223; 1987 Berkshire Gas Decision at 84.

The Department's review of a gas company's process for identifying and evaluating resources focuses on whether the company: (1) has a process for compiling a comprehensive array of resource options -- including pipeline supplies, supplemental supplies, DSM, and other resources; (2) has established appropriate criteria for screening and comparing resources within a particular supply category; (3) has a mechanism in place for comparing all resources, including DSM, on an equal basis, i.e., across resource categories, and (4) has a process that as a whole enables the company to achieve an

adequate, least-cost, and a low environmental impact supply plan. Fitchburg Gas and Electric Light Company, D.P.U. 94-140, at 37; Colonial Gas Company, D.P.U. 93-13, at 70; 1992 Boston Gas Decision at 224; 1990 Boston Gas Decision at 54-55.

As set forth in Section III. A, above, the Department reviews a gas company's five-year supply plan to determine whether it minimizes cost, subject to trade-offs with adequacy and environmental impact. Fitchburg Gas and Electric Light Company, D.P.U. 94-140, at 37; Colonial Gas Company, D.P.U. 93-13, at 88; 1992 Boston Gas Decision at 236; 1987 Boston Gas Decision at 214. A gas company must establish that the application of its supply planning process, including adequate consideration of DSM and consideration of all resource options on an equal basis, has resulted in the addition of resource options that contribute to a least-cost supply plan. Fitchburg Gas and Electric Light Company, D.P.U. 94-140, at 37; Colonial Gas Company, D.P.U. 93-13, at 83; 1992 Boston Gas Decision at 233; Berkshire Gas Company, 14 DOMSC 107, 115 (1986). As part of this review, the Department requires gas companies to show, at a minimum, that they have completed comprehensive cost studies comparing the costs of a reasonable range of practical supply alternatives prior to selection of major new resources for their supply plans. Fitchburg Gas and Electric Light Company, D.P.U. 94-140, at 37; Colonial Gas Company, D.P.U. 93-13, at 89; 1992 Boston Gas Decision at 236; 1986 Gas Generic Order at 100-102.

2. Identification and Evaluation of Resource Options

a. Supply Side Resources

On April 7, 2000, Blackstone sent out a Gas Supply Request for Proposals ("RFP") to 26 potentially interested parties. On April 21, 2000, Blackstone received responses from Duke Energy Trading and Marketing ("DETM") and AGF Direct Gas Sales & Servicing ("AGF"). After reviewing both proposals, Blackstone concluded that the DETM offer would provide the least-cost gas supply.[(11)] Although slight differences between the proposals yielded comparable costs, the DETM proposal provided the potential for significant savings by utilizing interruptible transportation rates for some portion of the gas supply, thus creating a significant advantage for the DETM proposal. In addition, certain intangible aspects concerning the bidders, including DETM's size and familiarity with Blackstone, combined to make DETM appear to be the best choice (Exh. Blackstone 2).

b. Analysis and Findings

The Department finds that the RFP process Blackstone used to identify alternative suppliers is appropriate. Blackstone applied both price and non price criteria to determine which options to pursue. Accordingly, the Department finds that Blackstone has formulated an appropriate process for identifying possible arrays of supply options, and has developed appropriate criteria for screening and comparing supply resources.

3. Conclusions on the Supply Planning Process

The Department finds that Blackstone has: (1) established a process for compiling a comprehensive array of resource options for the period following the expiration of its supply contracts; and (2) developed appropriate criteria for screening and comparing supply-side resources, including the use of both price and non price criteria to determine which commodity and options to pursue. The Department notes that although the Company did not rigorously pursue DSM-related opportunities, Blackstone's supply planning process, as a whole, indicates that it selected the resource option that contributes to the least-cost supply plan.

4. Conclusions on the Supply Plan

The Department has found that Blackstone has established that its normal year, design year and design day supply plans are adequate to meet the Company's forecasted sendout requirements throughout the forecast period.

IV. CONCLUSION

The Department hereby approves the 2001-2005 sendout forecast and supply plan of Blackstone Gas Company. The Department has detailed specific information that Blackstone must provide in its next filing in order for the Department to approve that filing. This information is necessary for the Department to fulfill its statutory mandate. Therefore, in order for the Department to approve Blackstone's next forecast and supply plan filing, the Company must:

(1) Refine the determination of its design day standard by addressing:

a) the frequency with which design conditions are expected to occur

b) how design standards affect the reliability of its forecast; and

c) the costs and benefits to its customers of maintaining different levels of

reliability;

(2) Include normal year and design year standards, subject to the refinements noted above;

(3) Assess the possibility of customer migration to firm transportation service, and evaluate how those changes will affect the Company's sendout forecast; and

(4) Refine its sendout forecast by developing variables that explain customer usage and seasonal variation in greater detail.

V. ORDER

Accordingly, after due notice, hearing and consideration, it is

ORDERED: That Blackstone Gas Company's petition for approval of its forecast and supply plan be and hereby is approved; and it is

FURTHER ORDERED: That Blackstone Gas Company follow all directives contained herein; and it is

FURTHER ORDERED: That Blackstone shall file its next long-range forecast and supply plan with the Department by May 1, 2003.

By Order of the Department,

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James Connelly, Chairman

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W. Robert Keating, Commissioner

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Paul B. Vasington, Commissioner

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Eugene J. Sullivan, Jr., Commissioner

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Deirdre K. Manning, Commissioner

Appeal as to matters of law from any final decision, order or ruling of the Commission may be taken to the Supreme Judicial Court by an aggrieved party in interest by the filing of a written petition praying that the Order of the Commission be modified or set aside in whole or in part.

Such a petition for appeal shall be filed with the Secretary of the Commission within twenty days after the date of service of the decision, order or ruling of the Commission, or within such time as the Commission may allow upon request filed prior to the expiration of twenty days after the date of service of said decision, order or ruling. Within ten days after such a petition has been filed, the appealing party shall enter the appeal in the supreme Judicial Court sitting in Suffolk County by filing a copy thereof with the Clerk of said Court. (Sec. 5, Chapter 25, G.L. Ter. Ed., as most recently amended by Chapter 485 of the Acts of 1971).

1. Blackstone hired La Capra Associates to evaluate the responses to the Request for Proposals the Company sent out when it sought gas suppliers.

2. A cold-snap is a prolonged series of days at or near design conditions. Colonial Gas Company, D.P.U. 93-13, at 66; Boston Gas Company, 25 DOMSC 116, 217 (1992) ("1992 Boston Gas Decision"); Commonwealth Gas Company, 17 DOMSC 71, 137 (1998) ("1998 Commonwealth Gas Decision"). The purpose of a cold-snap analysis is to test the ability of the Company's resource portfolio to respond to prolonged extreme conditions. Colonial Gas Company, D.T.E. 98-90, at 3 n.4 (2000). For a small company, such as Blackstone, this type analysis is not necessary. See, Administrative Bullentin, EFSC 86-1-16 (1986).

3. The Department is aware that it recently approved design day standards of similar magnitude. See Berkshire Gas Company, DTE 98-90 at 6; Fitchburg Gas Company, DTE 00-42 at 6.

4. Throughout this decision, the Department has found that certain aspects of the Company's filing have minimally met the review criteria. These findings should be construed neither as a rejection of the Company's filing, nor as lack of adherence to the filing requirements delineated in the Energy Facilities Siting Council's Administrative Bulletin 86-1 (1986) ("the Bulletin"), which details the filing requirements for Gas Company Forecast and Supply Plans. The Department notes that since the issuance of the Bulletin, technological improvements in computer technology and data analysis allow companies, including those of Blackstone's size, to prepare a more comprehensive filing. The Department's expectation that all utilities, regardless of size, will use all the tools available to them is of greater importance now given the rapid market developments and volatile gas prices.

5. The Department in this decision, as it has in the past, uses the term minimally in connection with the reviewability, reliability or appropriateness of a section of a company's filing. In using the term minimally, the Department notes that, in conducting its analysis, a company has done the "bare minimum" to satisfy the requirements of the Department. Prior to minimally approving a filing or a portion of a filing, the Department considers the benefit that would be derived by rejecting a company's filing or a portion of its filing and requiring the company to resubmit it. Clearly, a characterization of a standard as "minimally met" indicates that the Department expects the company to provide, in its next filing, a more thorough analysis in accordance with the conditions set forth in the decision.

6. G.L. c.164, § 69I also directs the Department to balance cost considerations with environmental impacts in ensuring that the Commonwealth has a necessary supply of energy. Colonial Gas Company, D.P.U. 96-18, at 31; Commonwealth Gas Company, D.P.U. 92-159, at 53; Colonial Gas Company, D.P.U. 93-13, at 50.

7. The Department's review of reliability, another necessary element of a gas company's supply plan, is included within the Department's consideration of adequacy. See Colonial

Gas Company, D.P.U. 93-13, at 50, n. 22; 1992 Boston Gas Decision, 25 DOMSC at 201, n. 87; Boston Gas Company, 16 DOMSC 173, at 214 (1987).

8. G.L. c. 164, § 69I, requires a utility company to demonstrate that its long-range forecast "include[s] an adequate consideration of conservation and load management." Initially, the Siting Council reviewed gas C&LM efforts in terms of cost minimization issues. In the 1988 Commonwealth Gas Decision, 17 DOMSC at 122-126, the Siting Council expanded its review to require a gas company to demonstrate that it has reasonably considered C&LM programs as resource options to help ensure that it has adequate supplies to meet projected sendout requirements.

9. The Department is currently reviewing this contract in docket number DTE 00-71.

10. Blackstone is under no obligation to take these quantities; rather, these amounts represent the maximum the Company may take under this agreement.

11. Blackstone hired La Capra Associates to analyze the two offers and report on its findings.